

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6636**

**BILL NUMBER:** HB 1098

**DATE PREPARED:** Dec 10, 2001

**BILL AMENDED:**

**SUBJECT:** Charity Gaming Licensing.

**FISCAL ANALYST:** Jim Landers

**PHONE NUMBER:** 232-9869

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill increases the maximum amount of prizes that an organization may award at a charity gaming event without obtaining a license from \$1,000 to \$3,000 for a single event and from \$3,000 to \$6,000 for a calendar year.

**Effective Date:** January 1, 2003.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The bill could have a minimal impact on revenue from the Charity Gaming License Fee if some organizations that operate charity gaming events on a small scale no longer have to obtain a Charity Gaming License to do so. Also, if the bill encourages organizations that otherwise would not operate charity gaming events to operate them on a sufficiently small scale to stay under the new prize limits, this could increase sales of charity gaming devices within the state. This could have a minimal impact on revenue from the Charity Gaming Excise Tax.

*Background:* Under current law, a bona fide civic, educational, political, religious, senior citizens, or veterans organization may conduct charity gaming events. Such organizations must obtain a license to do so if the value of all prizes awarded exceeds \$1,000 for a single event and \$3,000 during the calendar year. The bill would require organizations to obtain a charity gaming license if the value of prizes exceeds \$3,000 for a single event or \$6,000 during the calendar year. These higher thresholds may relieve some organizations from the license requirement. The number and precise impact on fee revenue is indeterminable. A review of total expenses (assuming this reflects primarily prize awards) reported by license holders in FY 2001 reveals that a number of organizations may fall below the new thresholds. This is particularly true for the licenses for charity game night, door prize, and special bingo licenses. The average total expense amounts for these licensees ranged from \$3,400 to \$7,100, with a number of the licensees falling below the new thresholds. However, the gross receipts totals for many of these organizations would translate into a \$25

license fee. Thus, the revenue loss would likely be minimal. The fee for a Charity Gaming License is \$25 for the first event conducted by the organization. The renewal fee depends on the total gross revenue obtained by the organization from the previous charity gaming event. The renewal fee is computed according to the table below.

Gross revenues of at least:	Gross revenues less than:	Fee
\$0	\$15,000	\$25
15,000	25,000	75
25,000	50,000	200
50,000	75,000	350
75,000	100,000	600
100,000	150,000	900
150,000	200,000	1,200
200,000	250,000	1,500
250,000	300,000	1,800
300,000	400,000	2,500
400,000	500,000	3,250
500,000	750,000	5,000
750,000	1,000,000	6,750
1,000,000	1,250,000	8,500
1,250,000	1,500,000	10,000
1,500,000	1,750,000	12,000
1,750,000	2,000,000	14,000
2,000,000	2,250,000	16,250
2,250,000	2,500,000	18,500
2,500,000	3,000,000	22,500
3,000,000		25,000

In FY 2001, 2,152 charity gaming licenses were issued and revenue from license fees totaled approximately \$4.1 M.

The Charity Gaming Excise Tax is imposed on licensed distributors or manufacturers of gaming devices and materials sold to qualified organizations that hold Charity Gaming Licenses. The tax is imposed at a rate of 10% of the wholesale price of gaming devices and materials sold to these organizations. As a result, if the higher thresholds encourage more organizations to hold small scale charity gaming events, this could have a minimal impact on revenue from the excise tax. In FY 2001, revenue from the excise tax totaled approximately \$1.5 M.

Revenue from Charity Gaming License Fees and the Charity Gaming Excise Tax is deposited in the Charity Gaming Enforcement Fund. Money remaining after the costs of administration is distributed to the Lottery and Gaming Surplus Account in the Build Indiana Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** FY 2001 Charity Gaming Annual Report, Department of State Revenue, October 1, 2001; Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2000.